

# Value Based Pricing Work Group

Preliminary  
Recommendations  
November 14, 2017

# Work Group Charge

This work group will develop for recommendation to the Health Care Cabinet, a proposal to create an actionable plan to align payer contracting with pharmaceutical manufacturers, PBMs, providers and pharmacies that aligns the value and price of prescription drugs to achieve the aims of improving outcomes and the patient experience, reducing overall medical costs and improving health equity. The recommendations will include meaningful actions that can be taken by state purchasers, regulators, the legislature, or other payers to promote the adoption of pharmacy purchasing strategies that achieve the above goals.

The workgroup will review various pharmaceutical value based purchasing strategies including, but not limited to: outcome based pricing, indication based pricing, value based pricing and value based formulary design.

The workgroup will consider the impact on the cost to the consumer as it evaluates policy options related to the strategies above and make recommendations to ensure consumers share in the potential benefits of value based contracts.

# Key questions that need to be answered

What types of value based purchasing strategies are worth considering?

Does value based pricing have the potential to support the goals of improving outcomes and the patient experience, reducing overall medical costs and improving health equity?

What are the potential risks and pitfalls of a pharmaceutical value based pricing strategy?

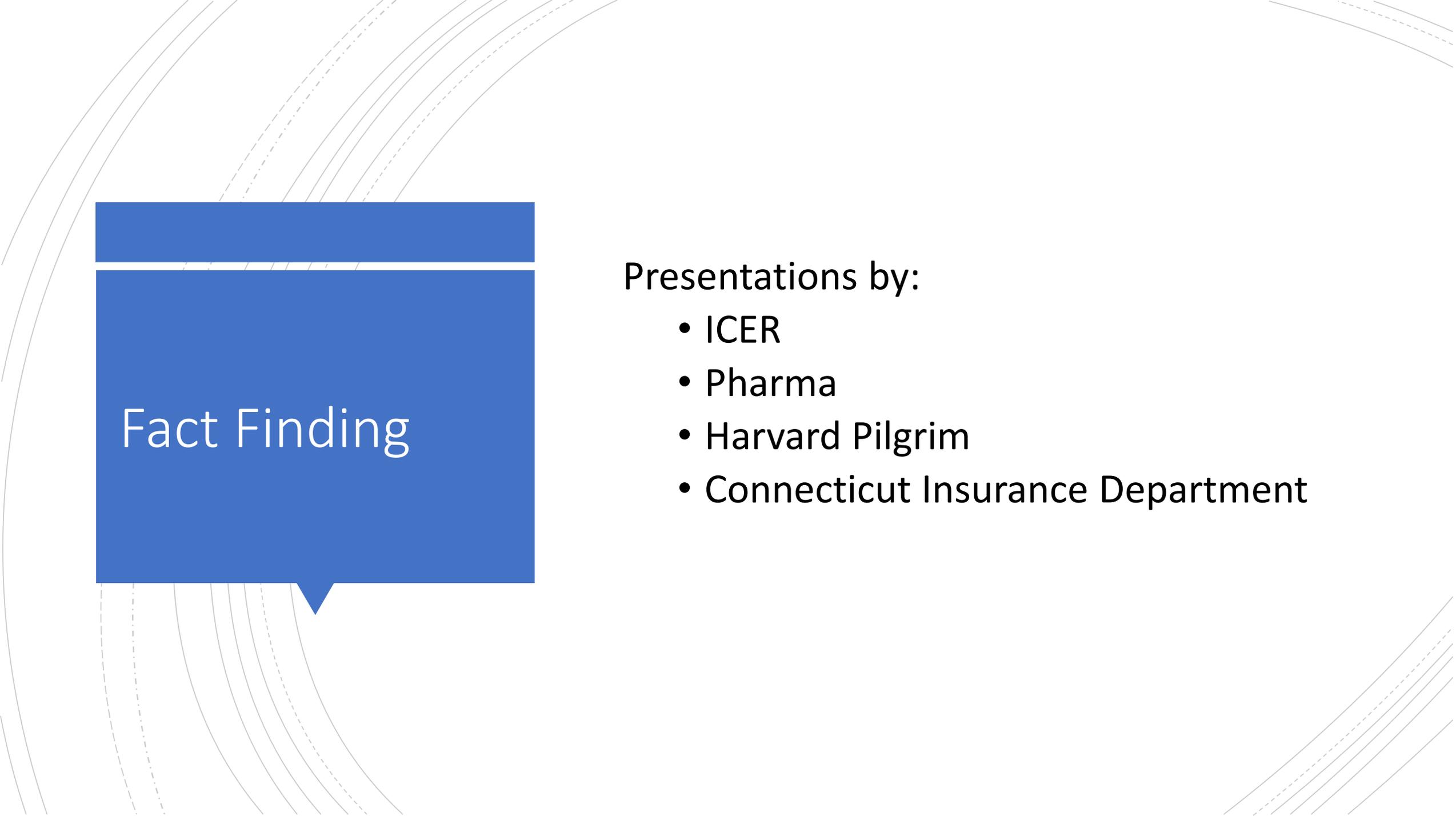
What are the criteria to determine good candidates for value based pricing?

What resources and technical capabilities are required?

What regulatory and legal hurdles must be addressed?

What has been the experience with value based purchasing of pharmaceuticals to date?

How will opportunities to implement value-based purchasing strategies differ based upon specific payers?

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# Fact Finding

## Presentations by:

- ICER
- Pharma
- Harvard Pilgrim
- Connecticut Insurance Department



# What did we learn

## Value based pricing has many different meanings

- Outcomes based contracts
  - Opportunity to align interests of manufacturers and payers
  - Administrative challenges
  - European experience shows limited results
  - Potential regulatory hurdles
- Indication based contracts
  - Can allow access to drug for alternative indications without overpaying
  - Regulatory hurdles remain
- Value based contracting
  - Makes sense, but primary recourse when value price is not met by manufacturer is limiting access through formulary design
- Value based formulary design
  - Ties formulary placement to value, moving away from rebate as the primary motivator

# Preliminary Recommendations:

## *Recommendations for state payers*

### **Medicaid**

- Evaluate the potential benefits of various types of value based contracts for supplemental rebates, including the results in other states pursuing such contracts at this time
- Create a work group, inclusive of all stakeholders including consumer representation, to evaluate the potential risks and benefits of adding exclusions or more onerous prior authorizations to the Medicaid formulary in order to drive toward value based pricing

### **State Employee Plan**

- Make capacity and engagement in value based contracting a consideration in selecting a PBM vendor
- Require PBM to utilize independent analysis of the therapeutic value of drugs, including their comparative effectiveness and cost-effectiveness, to build a value based formulary
- Explore opportunities for direct engagement with manufacturers
- Over the long-term determine if Medicaid's capacity and expertise in formulary development and rebate contracting could be utilized by the state plan

# Preliminary Recommendations:

## *New or expanded state programs*

### **Expanded State Programs**

- Determine if a centralized purchasing and distribution model for certain drugs for statewide consumption is needed (e.g. similar to children vaccines or drugs essential to public health such as narcan).
- Explore the option of expanding access to the state employee pharmacy contract terms, which is now available to non-state public employers, to private sector entities

### **New State Programs**

- Explore the feasibility of creating a statewide revolving loan program that allows patients that are challenged by the structure of high deductible plans or with significant co-insurance responsibilities the opportunity to amortize the upfront costs incurred at the start of each plan year.

## Preliminary Recommendations:

### *Recommendations to the State Innovation Model (SIM) for consideration*

#### **Recommendation to the SIM Quality Council**

Recommend to the SIM Quality Council that they seek to add quality measures to the core measure set related to:

- medication adherence, assistance and monitoring
- prescriber communication with patients about drug prices, barriers, the clinical value of each prescription, patient priority setting and alternatives

#### **Recommendation to the SIM VBID Consortium**

- As part of its mandate to promote value based insurance design the consortium should consider promoting formulary designs that focus on value by tying formulary placement to value, not rebate size:
  - Using an independent assessment of value, purchasers can have a formulary that assigns tier and cost-sharing by how close the drug price is to the benefit it brings to patients (value-based price)
  - Drugs priced at or below the value-based price benchmark received preferred tiering (tier 1 or 2), with little or no cost-sharing for patients (co-pay instead of co-insurance)
  - Drugs priced above the benchmark can be treated one of two ways: 1) they are excluded or 2) the purchaser reimburses up to the value-based price

## Preliminary Recommendations:

*Recommendations to limit activities that may undermine value based formulary strategies*

- Prohibit manufacturer coupons for drugs when a lower cost brand name or generic drug is available in the same therapeutic class
- Require facilities and physician offices to publicly post in the office or facility, already publicly available information about gifts and monetary compensation accepted from drug manufacturers

# Preliminary Recommendations: For continuing review and discussion

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The state should review other state actions in such areas as:

A public utility model for drug price oversight; and

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Wholesale importation from Canada

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To determine, through its own analysis with input from all stakeholders, whether such efforts would be viable in Connecticut and if they would best serve the public interest

# Questions

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